

30-Mar-21

Integrity Monitor Firm Name: **K2 Integrity**
Engagement: **New Jersey Office of The Secretary of Higher Education's Integrity Oversight Monitorship**
Quarter Ending: **March 31, 2021**

No.	Recipient Data Elements	Response	Comments
A. General Info			
1.	Recovery Program Participant	New Jersey Office of The Secretary of Higher Education	
2.	Federal Funding Agency (e.g., Section 5001 of CARES Act)	Section 5001 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act COVID-19	
3.	State Funding (if applicable)	N/A	
4.	Award Type	Sub-recipient grants from New Jersey Department of Treasury (DOT)	
5.	Award Amount	\$225,000,000	
6.	Accountability Officer	Angela M. Bethea, Assistant Secretary/CFO, Office of the Secretary of Higher Education	
7.	Brief Description, Purpose and Rationale of Integrity Monitor Project/Program	The New Jersey Office of The Secretary of Higher Education ("OSHE") received \$225 million in Federal Coronavirus Relief Funds ("CRF"), pursuant to a Memorandum of Understanding with the Treasurer of the State of New Jersey. From these funds, 100% have been allocated to public institutions and four-year public mission independent institutions to address the financial burdens as they provide high quality education in the State. On July 17, 2020, Governor Murphy signed Executive Order 166 ("EO 166"), which established the COVID-19 Compliance and Oversight Task Force (the "Taskforce") and the Governor's Disaster Recovery Office (GDRO). Under EO 166, any New Jersey State Agency receiving more than \$20 million in CARES Act funding may engage an Integrity Monitor in accordance with the IOM Guidelines.	
8.	Contract/Program Location (if applicable)	Office of the Secretary of Higher Education, 1 John Fitch Plaza, 10th Floor, PO Box 542, Trenton, NJ 08625-0542	
9.	Amount Expended by Recovery Program Participant to Date	\$225,000,000.00	
10.	Amount Provided to other State or Local Entities	All \$225,000,000 was provided to Institutions of Higher Learning in New Jersey	
11.	Completion Status of Contract or Program	31-Mar-21	
12.	Expected Contract End Date/Time Period	03/31/2021	
B. Monitoring Activities			
13.	If FEMA funded, brief description of the status of the project worksheet	N/A - The Grant Programs are not FEMA funded.	

No.	Recipient Data Elements	Response	Comments
14.	Quarterly Activities/Project Description (include with specificity activities conducted, such as meetings, document review, staff training, etc.)	<p>This Integrity Oversight Monitor ("IOM") assignment was structured as a short-term review of the use of federal Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") funds for COVID-19 related programs by the New Jersey Office of the Secretary of Higher Education ("OSHE"). Specifically, OSHE received \$225,000,000 through a memorandum of understanding ("MOU") executed between the New Jersey Department of the Treasury ("Treasury") and OSHE for allocation among Institutions of Higher Education ("IHEs") in New Jersey. The \$225 million was awarded and distributed in two tranches; the first, in the amount of \$150 million, distributed between November 12 and December 4, 2020, and the second, in the amount of \$80 million (including \$5 million left over from the first tranche), distributed between December 21 and December 23, 2020. (Subsequent to the commencement of the IOM engagement, an additional \$200,000 was added to cover the balance of Tranche 2.)</p> <p>To receive these funds, an IHE was required to submit an application for Coronavirus Relief Fund ("CRF") assistance, a financial impact form, and a budget to OSHE outlining how the IHE would use the funds to cover eligible expenditures incurred due to the COVID-19 pandemic between March 1 and December 31, 2020. (Subsequent to the initial applications, the expenditure period was extended to March 31, 2021.) The IHEs were required to obtain OSHE's approval for the application, financial impact form, and budget, and enter into Grant Agreements. The Governor's Disaster Recovery Office ("GDRO") reviewed and approved the requirements and procedures and online application process and budget templates for the IHEs established by OSHE.</p> <p>For the review and evaluation of IHE applications for CRF, OSHE established a committee of 7 members comprised of the Executive Director of Educational Opportunity Fund; Director of Licensure; Special Assistant to the Secretary; Director of Research; Educational Opportunity Fund Program Coordinator; Director of Finance; and an OSHE Graduate Fellow. CRF were distributed to IHEs in two phases: Tranche I and Tranche II (Tranche III is in progress). Prior to the disbursement of any CRF, internal guidelines pertaining to OSHE's review of the applications were developed and implemented by the review and evaluation committee members.</p> <p>The IOM's role was to ensure that OSHE is adhering to the MOU, applicable federal and state guidelines, and regulations with the CRF grant. The IOM was tasked with conducting a risk assessment of OSHE's CRF grant program and testing the implementation of that program with a review of how selected IHEs used the funds.</p> <p>The engagement required the IOM to submit to OSHE a draft risk assessment (incorporating transaction testing) no later than February 15, 2021, approximately five and a half weeks after the initial kick-off meeting. The maximum duration of the entire engagement, including the completion of transaction testing, and the production of all deliverables in final form, was 12 weeks. More specifically, the following deadlines governed the IOM's activities and submission of deliverables:</p> <ul style="list-style-type: none"> - February 15, 2021 – deadline for submission of a draft risk assessment to OSHE, incorporating transaction testing. - OSHE review and comment period – 4 to 7 days - February 26, 2021 – submission of the final risk assessment to OSHE - March 15, 2021 – submission of a draft quarterly report to OSHE - OSHE review and comment period – 4 to 7 days - March 31, 2021 – submission of the final quarterly report to OSHE <p>As is set forth below, K2 Integrity met the applicable risk assessment deadlines. As also appears below and from the date of this report, K2 Integrity met the applicable quarterly reporting deadlines.</p> <p>K2 Integrity performed the following tasks as part of its quarterly monitoring activities:</p> <ul style="list-style-type: none"> - Commenced work on January 6, 2021, followed by a kickoff meeting with OSHE the following day. In attendance from K2 Integrity were Paul Ryan, Martin Aronchick, Tejah Duckworth, Dana Ball, Naomi Gonzalez, and Kyle Paul. In attendance from OSHE were the Assistant Secretary and Chief Financial Officer, Finance and Research Division-, the Director of Finance, Finance and Research Division-, the Fiscal Analyst, Finance and Research Division, and the Director of Policy & Outreach, Policy and Licensure Division. - Issued an information request to OSHE and created a detailed workplan for discussion with OSHE. - Reviewed documentation that was provided by OSHE, including but not limited to OSHE's 12/3/20 internal risk assessment of its CRF program; documentation regarding OSHE's 2019 internal control self-assessment; documentation regarding the New Jersey State Auditor's 2014 audit of OSHE and OSHE's responses to the audit report; OSHE's organizational chart; OSHE's MOU and MOU extension with Treasury regarding the use of the CRF; business object reports and other reports of all CRF payments to IHEs and related wire transfer documentation; a narrative detailing OSHE's allocation methodology used to award the first and second tranches of the CRF; overview and grant manuals for the New Jersey Comprehensive Financial System ("NJCFs"), the fiscal system used by OSHE; the applicable New Jersey IT security policies, ethics code and SOPs governing several other procedures; public announcements regarding the availability to IHEs of the CRF and the proper purposes for such funds; OSHE's guidance documents regarding eligible expenses, instructions to IHEs for applying for CRF, budget templates for IHEs to identify planned uses of CRF, OSHE's internal guidance memoranda regarding evaluation of IHE applications, and Grant Agreements with IHEs; information regarding the IHE selection criteria; and weekly, monthly and quarterly reports by OSHE to Treasury. - Conducted additional interviews of OSHE staff. - Revised the work plan in response to new information derived from interviews conducted and documents reviewed. <p>As referenced above, K2 Integrity performed a risk assessment of OSHE's CRF grant program and tested the implementation of that program with a review of how selected IHEs used the funds. The risk assessment reviewed the processes for the allocation of the CRF, the application for those funds by IHEs, the actual use of the funds by IHEs, the monitoring of the IHEs by OSHE, and the maintenance of appropriate record keeping by OSHE and the IHEs. The risk assessment reviewed and assessed all relevant processes and functions, including:</p> <ul style="list-style-type: none"> - OSHE's organizational leadership, capacity, expertise, and experience managing and accounting for federal grant funds in general, and disaster recovery funds in particular. - How OSHE has planned for compliance with federal and state requirements and eligible uses of the funds. - OSHE's existing internal controls to satisfy the CARES Act fund requirements. - Prior audit findings and recommendations that may be applicable to OSHE's oversight of COVID-19 relief funding. - Lessons learned from OSHE's management of grants (if any) obtained in connection with prior disasters. - Review of sub-recipient internal control weaknesses and OSHE's controls to ensure that sub-recipients adhere to all requirements relating to their receipt of funds. - Review of the adequacy of OSHE's financial, procurement, and grants management policies and procedures, including its technological capacity and financial management systems. - Review and assessment of OSHE's processes for reporting the results of funding awards and for responding to oversight entities. - Review and assessment of OSHE's experience with state and federal procurement processes and management of contractors and sub-recipients to meet program goals and objectives and satisfy compliance requirements. - Review and assessment of OSHE's controls for preventing potential conflicts of interests and enhancing ethics compliance. - Review of the adequacy of OSHE's procedures (including sub-recipient training) for overseeing the sub-recipients' use of funds and compliance with sub-recipient reporting, recordkeeping, and other 	

program requirements.

- Evaluation of OSHE's procedures for making and documenting sub-recipient eligibility determinations.

A draft risk assessment was provided to OSHE on February 12, 2021. OSHE provided comments to the draft risk assessment on February 22, 2021. Those comments were reflected and addressed in our final risk assessment, which was provided to OSHE on February 26, 2021. Selected aspects of the risk assessment are referred to below in Sections 18 and 19.

The risk assessment incorporated the results of our transaction testing, regarding the use of CRF by selected IHEs. In accordance with the Engagement Query, three IHEs were to be selected for review in each of three institutional sectors: senior public institutions, county colleges, and public mission independent institutions. Thus, the testing of the controls applicable to OSHE's CRF grant program involved a total of nine IHEs.

Selection of IHEs for testing were subject to criteria designed by OSHE. By design, the application of the selection criteria for IHEs to review required input from OSHE, which OSHE provided. The testing criteria consisted of the following:

- Research institutions – Research institutions are found only in the senior public institutional sector. The selection of testing subjects in this sector was not to include only senior public institutions that are also research institutions.

- Size of IHE - The selection of testing subjects in each of the three sectors was to include institutions that are, relative to the other institutions in the sector, small, medium and large. This approach was intended to get coverage in each sector of a small IHE, a medium IHE, and a large IHE. The size categorization was based on a combination of headcounts, which separately count each full-time and part-time student; and full-time enrollment equivalents ("FTEs"), which do not separately count part-time students. These are relative categorizations; there were no objective criteria in each sector defining small, medium and large. However, for senior public institutions, an FTE count of 10,000 was used as the benchmark for large.

- Demographics/ Type of Community - The selection of testing subjects in this sector was to include institutions that are in or near urban, suburban, and rural communities. The demographic categorizations were based on OSHE's knowledge of New Jersey demographics. It was intended to get coverage in each sector of an urban IHE, a suburban IHE, and a rural IHE.

- Diversity of Student Populations - This criterion used both the IHEs' designations by the federal government as Minority Serving Institutions ("MSIs") and other data gathered and maintained by OSHE regarding the make-up of the IHEs' student population. Since not all of the institutions have diverse student populations, it was not intended that the selections would be exclusively those with diverse student populations. (Approximately 40% of the IHEs receiving CRF have received MSI designation.)

K2 Integrity used the most recent report of grant disbursements, the information described above, and input from OSHE, to make the following selections for transaction testing / monitoring activities:

- Senior public institutional sector: IHE#1 (urban, large, is a research institution, not MSI); IHE#2 (suburban, medium, not a research institution, has MSI designation); and IHE#3 (rural, small, not a research institution, not MSI).

- County college institutional sector: IHE#4 (suburban, large, has MSI designation); IHE#5 (urban, medium, has MSI designation); and IHE#6 (rural, small, not MSI).

- Public mission independent institutional sector: IHE#7 (suburban, small, has MSI designation); IHE#8 (rural, medium, not MSI); and IHE#9 (urban, large, not MSI).

OSHE provided CRF Grant Agreements and budgets and other documentation for the nine IHEs selected for transaction testing / monitoring activities. On January 25, 2021, OSHE reached out to the nine IHEs selected for transaction testing / monitoring activities to inform them that they had been selected for testing and monitoring and to instruct them to cooperate with K2 Integrity. On January 26, 2021, K2 Integrity sent document/ information requests separately to each of the nine IHEs, identifying our selections of transactions to review, and requesting document production on or before January 29, 2021. The document/ information requests also sought interviews on February 3-5, 2021, to review the documentation and the institution's processes for monitoring the expenditure of CRF

		<p>January 29, 2021. The OSHEs requested and sought back-up documentation and information to review the documentation and the institution's processes for monitoring the expenditure of CRF and maintaining the related documentation. The IHEs variously produced the documentation between January 29, 2021 and February 22, 2021; the IHEs variously agreed to and participated in the follow-up appointments between February 3, 2021 and February 5, 2021.</p> <p>See Sections 18 and 19 for a detailed description of the transaction testing and findings regarding the nine IHEs selected for transaction testing / monitoring activities.</p>	
15.	Brief description to confirm appropriate data/information has been provided by recipient and what activities have been taken to review in relation to the project/contract/program.	As part of the transaction testing and monitoring activities, K2 Integrity reviewed information and documents provided by OSHE regarding its allocation of the CRF, the application for those funds by IHEs, the actual use of the funds by IHEs, the monitoring of the IHEs by OSHE, the maintenance of appropriate record keeping by OSHE and the IHEs, and the other functions referenced above in Section 14. Please see Section 14 above to review the project description and specific activities completed in conjunction with these activities. Please see Sections 18 and 19 for a detailed description of transaction testing and findings.	
16.	Description of quarterly auditing activities that have been conducted to ensure procurement compliance with terms and conditions of the contracts and agreements.	The programs reviewed are grant disbursement programs, whereby CRF were allocated to IHEs by OSHE, and did not involve any procurement activities by OSHE. K2 Integrity did perform a risk-based review of the sampled procurement activities by the sampled IHEs. Please see Section 14 above to review the project description and specific activities completed in conjunction with K2 Integrity's monitoring activities. Please see Sections 18 and 19 for a detailed description of transaction testing and findings.	
17.	Has payment documentation in connection with the contract/program been reviewed? Please describe	K2 Integrity reviewed substantial documentation regarding OSHE's CRF grant program and regarding how selected IHEs used the funds. Please see Section 14 above to review the project description and specific activities completed in conjunction with K2 Integrity's monitoring activities, Section 18 below for a detailed description of IHE transaction testing, and Section 19 below for a detailed description of findings.	
18.	Description of quarterly activity to prevent and detect waste, fraud and abuse.	<p>Please see Section 14 above to review the project description and specific activities completed in conjunction with the completion of a risk assessment for and monitoring of OSHE's CRF program. In addition to what is set forth below, please also see Section 19 for a description of findings.</p> <p>Based on the selection criteria described above in Section 14, and using the information described above in Section 14, K2 Integrity made the following selections for transaction testing and monitoring:</p> <ul style="list-style-type: none"> - Senior public institutional sector: IHE#1 (urban, large, is a research institution, not MSI); IHE#2 (suburban, medium, not a research institution, has MSI designation); and IHE#3 (rural, small, not a research institution, not MSI). - County college institutional sector: IHE#4 (suburban, large, has MSI designation); IHE#5 (urban, medium, has MSI designation); and IHE#6 (rural, small, not MSI). - Public mission independent institutional sector: IHE#7 (suburban, small, has MSI designation); IHE#8 (rural, medium, not MSI); and IHE#9 (urban, large, not MSI). <p>Altogether, the nine IHEs selected for transaction testing and monitoring accounted for approximately 30% of the total \$225,000,000 in CRF allocated to all IHEs. While K2 Integrity is satisfied with this coverage, it should be noted that the required sampling of small and medium-size IHEs limited the overall amount of CRF allocated to the sampled IHE population.</p> <p>The purpose of our transaction testing/ monitoring was to review the IHE's processes and controls for ensuring that their CRF expenditures complied with the criteria for appropriate expenditures, the approved application and budget, and requirements for maintaining appropriate documentation of the expenditures. For each IHE, K2 Integrity made selections for testing from its approved application, CRF spending plan, and budget, and sought back-up documentation and information about the IHE's processes and controls, as follows:</p> <ul style="list-style-type: none"> - OSHE provided and K2 Integrity reviewed CRF Grant Agreements and budgets and other documentation for the nine IHEs selected for transaction testing and monitoring. - On January 25, 2021, OSHE reached out to the nine IHEs to inform them that they had been selected for testing and monitoring and to instruct them to cooperate with K2 Integrity. - On January 26, 2021, K2 Integrity sent document/ information requests separately to each of the nine IHEs, identifying our selections of transactions to review, and requesting document production on or before January 29, 2021. The document/ information requests also sought interviews on February 3-5, 2021, to review the documentation and the institution's processes for monitoring the expenditure of CRF and maintaining the related documentation. - The IHEs variously produced the documentation between January 29, 2021 and February 22, 2021; the IHEs variously agreed to and participated in the follow-up appointments between February 3, 2021 and February 5, 2021. <p>In performing transaction testing/ monitoring, K2 Integrity reviewed IHE agreements and budgets from the nine selected IHEs and made a risk-based sample of budget category expenditures. K2 Integrity's risk-based sample from each IHE, and from the IHEs collectively, included high value budget categories, budget categories with round dollar value transactions, and/or transactions that contained vague or indistinguishable descriptions. Additionally, K2 Integrity's sample encompassed a variety of budget categories made available to the IHEs. K2 Integrity's sample is summarized below.</p> <ul style="list-style-type: none"> - Senior public institutional sector: <ul style="list-style-type: none"> o IHE#1 – selected \$28,899,395 in CRF I monies from Salaries, Benefits, Hardware, and Other Expenses; and selected \$11,519,555 in CRF II monies from Refunds; o IHE#2 - selected \$7,932,363 in CRF I monies from Salaries, Material and Supplies, Equipment Rental/ Purchase, and Other Expenses; and selected \$2,357,795 in CRF II monies from Salaries and Benefits; 	

		<p>o IHE#3 – selected \$3,602,345 in CRF I monies from Salaries and Materials and Supplies; and selected \$4,961,919 in CRF II monies from Refunds.</p> <p>- County college institutional sector:</p> <p>o IHE#4 – selected \$1,805,719 in CRF I monies from Salaries and Benefits, Consultant Services, Equipment Rental/ Purchases, and Refunds; and selected \$2,604,761 in CRF II monies in Other Expenses;</p> <p>o IHE#5 – selected \$1,369,949 in CRF I monies in Salaries and Benefits, Hardware, and Other Expenses; and selected \$1,564,351 in CRF II monies in Salaries and Benefits, Equipment Rental/ Purchase, Communications/ Marketing, Software, and Other Expenses;</p> <p>o IHE#6 – selected \$115,775 in CRF I monies in Consultant Services, Subscriptions, and Software; and selected \$155,416 in CRF II monies in Salaries and Benefits.</p> <p>- Public mission independent institutional sector:</p> <p>o IHE#7 – selected \$45,468 in CRF I monies in Materials and Supplies; and selected \$638,134 in CRF II monies in Salaries and Benefits, Materials and Supplies, Communications/ Marketing, Software, Hardware, and Other Expenses;</p> <p>o IHE#8 – selected \$95,179 in CRF I monies in Materials and Supplies and Equipment Rental/ Purchase; and selected \$5,767,375 in CRF II monies in Refunds;</p> <p>o IHE#9 – selected \$93,928 in CRF I monies in Hardware; and selected \$1,608,217 in CRF II monies in Refunds.</p> <p>K2 Integrity performed the following transaction testing/ monitoring on the above selected budget and expenditures:</p> <p>- Reviewed IHE budgets for required detail as per OSHE guidelines and for revisions made by IHEs after approval from OSHE;</p> <p>- Reviewed expenditures for duplicative payments;</p> <p>- Reviewed expenditures for compliance with stated OSHE allowable usage per budget category;</p> <p>- Reviewed documentation detailing expenditures and proof of payment, such as invoices, purchase orders, and cancelled checks;</p> <p>- Reviewed bid documentation and vendor quotes for adherence to applicable IHE procurement policies and procedures;</p> <p>- Reviewed salary and benefit documentation regarding allocation methodology and certification processes, as well as employee paychecks;</p> <p>- Reviewed student level data, allocation methodology, and financial system data regarding Refund payments.</p>	
19.	Provide details of any integrity issues/findings	<p>In conducting the risk assessment and in performing the monitoring activities described above, K2 Integrity observed a strong commitment of OSHE and the IHEs to the important mission of providing higher education in New Jersey to a diverse array of both full-time and part-time students in full-time public and private IHEs and community IHEs. K2 Integrity also observed a strong commitment of OSHE and the IHEs to the appropriate use of the CRF allocations to mitigate the financial hardships to the IHEs and their students caused by the pandemic.</p> <p>The internal risk assessment performed by OSHE of its CRF grant program found that the program has appropriate controls against integrity risks. Based on the risk assessment and transaction testing/ integrity monitoring that K2 Integrity performed, as described above and in the attached risk assessment report, K2 Integrity expressed a limited number of concerns in a draft report that was provided to OSHE on March 15, 2021. We discussed these issues with OSHE on March 26, 2021, and took that discussion into account in producing this final report for Q-1 2021.</p> <p>Our only concerns are expressed below:</p> <p>- Ongoing Monitoring of Grant Recipients – OSHE is required under the Office of Management and Budget (“OMB”) circular to implement procedures for monitoring and oversight of CRF. The Grant Agreements allow OSHE to implement such procedures. OSHE scrutinizes the IHEs’ CRF applications and plans to scrutinize the interim and final reports submitted by the IHEs. The reports have not yet been submitted as of the time of this report.</p> <p>o The IHE reporting deadlines are: for the first tranches of grants – interim report on March 17, 2021, final report on April 14, 2021; and for the second tranches of grants – interim report on March 31, 2021, final report on April 28, 2021.</p> <p>o Monitoring the IHEs’ programs for utilization of CRF between initial disbursement of funds and the final report was not conducted, apparently due to a lack of staffing to manage this function. The absence of ongoing monitoring of grant subrecipients was a finding in a 2014 audit by the Office of Legislative Services of the State Auditor; in response, OSHE put in place several measures, including retraining its staff and the grant management staff at IHEs.</p> <p>o For CRF, K2 Integrity recommends the implementation of periodic monitoring of the IHEs’ programs for utilization of CRF, between the time of distribution of the funds to the IHEs and the IHEs’ submission of required reports, to ensure ongoing compliance. It appears that OSHE has a limited staff, and its existing staff do not have time to perform this function, in addition to their substantial other duties; therefore, consideration should be given to augmenting OSHE’s staff with personnel who could perform the ongoing monitoring function.</p> <p>- Monitoring Budget Modifications - IHE line-item budget modifications greater than \$10,000 require advance written approval from OSHE with a revised budget and justifications to the Grant Project Director. Our transaction testing found that, of nine sampled IHEs, three IHEs had established budget modifications greater than \$10,000. These budget modifications revised the use of funds, and did not create an overall increase in the respective IHEs’ CRF spending.</p> <p>o IHE#1 complied with the prior approval requirement by reaching out to OSHE to communicate the nature of and reasons for the budget modification and obtaining OSHE’s assent.</p> <p>o However, IHE#2 increased 3 budget categories totaling \$857,393, 11% of its overall budget, without securing approval in advance. In addition, IHE#7 increased 3 budget categories totaling \$100,087, 15% of its overall budget, without securing approval in advance.</p> <p>o While it does not appear that the modifications are noncompliant with expense eligibility standards, advance written approval from OSHE was not obtained as required by OSHE’s budget modification rules. The ongoing monitoring that K2 Integrity recommends would identify any such informal budget adjustments so they could be reviewed by OSHE in advance of implementation by the IHEs.</p>	

- Interim Reporting – As described above, OSHE did not require IHEs to submit interim reports until March 17 for Tranche 1 and March 31 for Tranche 2. K2 Integrity recommends that OSHE consider the implementation of interim reporting by the IHEs earlier in the spending period in order to ensure ongoing compliance and enhance the ongoing monitoring that K2 Integrity recommends. The lack of interim reporting may arise from the same concern expressed above - the lack of staffing to manage the ongoing monitoring function. Therefore, consideration should be given to augmenting OSHE's staff with personnel who could perform this function.

- Prevention of Duplication of Benefits - As part of the online application process in the budget template, all IHEs are required to self-report to OSHE if any expense is already covered by funds from any other sources including Federal Emergency Management Agency ("FEMA"), Governor's Emergency Education Relief Fund ("GEERF"), and Higher Education Emergency Relief Fund ("HEERF"). OSHE has access to GEERF data and has the ability to cross reference whether IHEs in receipt of CRF have also received GEERF assistance. Checks to verify if those funds were already provided will be conducted by OSHE after final reports are received from the IHEs.

- o OSHE does not have the ability to access HEERF data. The IHEs submit such data directly to the United States Department of Education ("DOE"). It does appear that, as part of the mandatory self-reporting, many IHEs provide OSHE with complete detailed information regarding their use of HEERF assistance. K2 Integrity recommends that OSHE should mandate that all IHEs submit to OSHE such detailed information, in order to detect or prevent duplication of benefits. OSHE could also check the publicly available information disseminated by DOE about HEERF assistance; it would not provide the level of detail necessary to detect duplication, but would identify whether an IHE has received HEERF assistance.
- o OSHE does not have the ability to access FEMA data, but it does appear that the Governor's Disaster Recovery Office ("GDRO") has access to this data. K2 Integrity recommends that OSHE should coordinate with the GDRO to access FEMA data in order to detect or prevent duplication of benefits.

- Procurement requirements - All IHEs must comply with state and federal procurement requirements mandating competitive solicitation and public advertisements, as applicable. Thus, the applicable procurement standards are those adopted by each IHE, and will vary among the IHEs, subject only to compliance with these general requirements.


- o For competitive solicitations, 8 of 9 IHEs sampled have existing policies and procedures that aligned with state and federal procurement requirements; however, one sampled IHE, IHE#9, does not require public advertisements of competitive solicitations. K2 Integrity recommends that OSHE mandate that all IHEs should advertise competitive solicitations in order to be in compliance with state and federal requirements.
- o For emergency procurements, all IHEs sampled have policies and procedures requiring a justification for the procurement method used, approval of that method, and oversight of the procurement. However, IHE#8 used the emergency procurement method for every requisition of goods or services for CRF, including 6 requisitions totaling \$101,752. K2 Integrity recommends that OSHE conduct a review of these requisitions by the IHE to ensure that the emergency procurement method was properly applied and not solely utilized to avoid a competitive process.
- o Moreover, IHE#6 was found not to have followed its own procurement policy requiring multiple quotes from vendors. An expenditure was of an amount that, under the IHE's procurement policy, three quotes should have been obtained. However, the IHE did not follow this process. K2 Integrity recommends that OSHE remind IHEs that in expending federal grant funds, they must adhere to procurement policies.

- Salaries and Benefits – IHEs were required to provide detail regarding the use of CRF to pay staff costs, including: providing an individualized list of staff members to be covered, including title, department, and annual salary; the pay periods to be covered for each staff member and corresponding dates; a description of the tasks performed; and specific justification for any administrator or executive included in the individualized list of staff members.

- o Certain IHEs (notably, IHE#2, IHE#3, and IHE#7) had detailed and robust compliance processes. However, IHE#5 estimated allocations of time performed at the departmental level, apparently without a plan to assign the allocation for expenses over the period time allocated. In addition, IHE#6 provided estimated allocations time performed by the state manager.

		<p>without a plan to review the allocation for accuracy once the pay period was completed. In addition, IHE#6 provided estimated allocations time performed by the area managers.</p> <p>o It is recommended that, in regard to claimed staff costs, OSHE mandate a certification process that demonstrates compliance with program requirements applicable to such costs.</p> <p>- Estimated Costs – Since the period of time for IHEs' expenditure of CRF was extended to March 31, 2021, some of the sampled cost categories that K2 Integrity reviewed included estimated expenses not yet incurred. K2 Integrity recommends that, once the expenditure period ends, IHE budget items that remained estimated or forecasted as of the time of our transaction review should be compared to the IHEs' interim and final reports to ascertain whether the expenses were actually incurred on or before March 31, 2021.</p> <p>In accordance with our work plan, K2 Integrity conducted our transaction testing (of selected transactions in both tranche 1 and tranche 2) prior to the submission of draft and final risk assessments (which were submitted, respectively, on February 12, 2021 and February 26, 2021). K2 Integrity conducted transaction testing using only the IHEs' approved grant agreements and spending plans and documentation of actual spending.</p> <p>While best practices would be to also test against the IHEs' interim and final reports to OSHE of their actual spending, such were not available as of the dates of the draft and final risk assessments. Moreover, because of the IHE reporting schedule, K2 Integrity will not be able to incorporate a complete review of IHE reporting into the final Q-1 quarterly report. Therefore, K2 Integrity has raised with OSHE the need for an extension of the IOM engagement, so that we can incorporate a complete review of IHE reporting into the review of OSHE's allocation of the \$225 million in CRF to the IHEs.</p>	
20.	Provide details on any other items of note that have occurred in the past	N/A - This is the IOM's first quarterly report	
21.	Provide details of any actions taken to remediate waste, fraud and abuse	N/A - This is the IOM's first quarterly report	

No.	Recipient Data Elements	Response	Comments
C. Miscellaneous			
22.	Attach a list of hours (by employee) and expenses incurred to perform your quarterly integrity monitoring review	Paul Ryan - 4 hours; Martin Aronchick - 65 hours; Tejah Duckworth - 94.50 hours; Dana Ball - 90.50 hours; Naomi Gonzalez - 89.50 hours; Kyle Paul - 93.75 hours. Total: - 437.25 hours.	
23.	Add any item, issue or comment not covered in previous sections but deemed pertinent to monitoring program.	Nothing to add here.	

Name of Integrity Monitor: K2 Integrity Signature:  Date: March 30, 2021	Name of Report Preparer: Martin C. Aronchick
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